Supreme Court, U.S.
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In The

Supreme Court of the United States

October Term, 1993

OMI HOLDINGS, INC.,

Respondent/Cross-Petitioner,

v.

MANILDRA MILLING CORPORATION,

Petitioner/Cross-Respondent,

and JOHN THOMAS HONAN,

Cross-Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

CROSS-PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether a jury may overturn the decision of a federal agency, the Patent and Trademark Office, based on the same record reviewed by the agency, on a showing less stringent than is required by the Administrative Procedure Act.

2. Whether the Federal Circuit's decision, which permitted uncontested infringement to escape liability under the patent laws because it was infrequent, is contrary to the Court's precedent.

LIST OF PARTIES

OMI Holdings, Inc. ("OMI") adopts the first two paragraphs of the List of Parties in Manildra Milling Corporation's Petition for Writ of Certiorari and the clarification in OMI Holdings, Inc.'s Brief in Opposition to Petition for Writ of Certiorari.

John Thomas Honan is listed as a Cross-Respondent to this Cross-Petition because he was an adverse party in the portion of the district court and appellate court proceedings which are addressed by this Cross-Petition.

RULE 29.1 LIST OF PARENT COMPANIES

OMI Holdings, Inc. is a wholly owned subsidiary of a wholly owned subsidiary of John Labatt, Inc. OMI Holdings, Inc. has no subsidiaries.

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OPINIONS BELOW

OMI adopts the statement regarding the Opinions Below in the Petition for Writ of Certiorari filed by Manildra Milling Corporation ("Manildra"), No. 93-973.

STATEMENT OF JURISDICTION

OMI adopts the Statement of Jurisdiction in Manildra's Petition for Writ of Certiorari. OMI relies upon Supreme Court Rule 12.3 in filing this Cross-Petition. OMI received Manildra's Petition for Writ of Certiorari on December 23, 1993.

STATUTES INVOLVED

5 U.S.C. §706(2)

To the extent necessary to decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall –

* * *

(2) hold unlawful and set aside agency action, findings, and conclusions found to be –

(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;

(B) contrary to constitutional right, power, privilege, or immunity;

> (C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;
>
> (D) without observance of procedure required by law;
>
> (E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or
>
> (F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

35 U.S.C. §271(a)

Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

35 U.S.C. §282

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

STATEMENT OF THE CASE

OMI adopts the first two paragraphs of the Statement of the Case in Manildra's Petition for Writ of Certiorari.

OMI presented a motion for judgment as a matter of law ("JMOL") on all claims at the close of all the evidence, which was denied. OMI renewed its motion for JMOL on all claims after the entry of judgment on the verdict, which was also denied. OMI appealed from this ruling. The Court of Appeals for the Federal Circuit affirmed the denial of OMI's motion for JMOL on the parties' claims regarding patent validity and patent infringement and reversed or vacated the denial of OMI's motion for JMOL on the remaining claims.

ARGUMENT

I. THE JURY WAS PERMITTED TO OVERTURN THE DETERMINATION OF A FEDERAL AGENCY ON A STANDARD LESS DEFERENTIAL THAN THAT MANDATED BY THE ADMINISTRATIVE PROCEDURE ACT.

The Patent and Trademark Office ("PTO"), a federal agency, is entitled to the same deference in its decisions as other federal agencies. Yet in the recurring situation, as presented here, where a jury considers the obviousness of an invention based on the same prior art reviewed by the PTO, the jury becomes a direct reviewer of the PTO's patentability decision. When the jury is permitted to exercise that role *de novo* without following the standards of the Administrative Procedure Act, 5 U.S.C. §551 *et seq.*

("APA"), as this jury was, the result is a violation of congressional intent that cannot be permitted to stand.

The Court expressed the policy of deference to the PTO's decisions in *Morgan v. Daniels*, 153 U.S. 120, 124-25 (1894), as follows:

> But this is something more than a mere appeal. It is an application to the court to set aside the action of one of the executive departments of the government. The one charged with the administration of the patent system had finished its investigations and made its determination with respect to the question of priority of invention. That determination gave to the defendant the exclusive rights of a patentee.
>
> * * *
>
> Upon principle and authority, therefore, it must be laid down as a rule that where the question decided in the Patent Office is one between contesting parties as to priority of invention, the decision there made must be accepted as controlling upon that question of fact in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction.

In 1946, Congress enacted the APA, which expressly governs judicial review of final decisions of federal agencies. That statute applies an even stricter standard of review where the agency's decision is a mixed question of fact and law. In those situations, the agency's decision can be overturned only if its result is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." 5 U.S.C. §706(2)(A). The Court's

decisions have underlined the stringency of this standard. *Motor Vehicle Manufacturers Association of the U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42-43 (1983) (under arbitrary and capricious standard, agency decision cannot be overturned if it is based on consideration of relevant factors and within scope of agency's delegated authority); *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416 (1971) (arbitrary and capricious review standard is narrow, and court cannot substitute its judgment for agency's judgment).

The Court and lower courts have applied the APA's standards of review to a variety of final decisions by the PTO for which no express statutory method of review exists. *See, e.g., Kingsland v. Dorsey*, 338 U.S. 318 (1949) (reviewing PTO's disbarment of attorney); *Morganroth v. Quigg*, 885 F.2d 843 (Fed. Cir. 1989) (reviewing denial of request that PTO revive unintentionally abandoned application); *Smith v. Mossinghoff*, 671 F.2d 533, 538 (D.C. Cir. 1982) (same as *Morganroth*).

The decision by the PTO that a patent is valid, including its implicit conclusion that it is nonobvious under 35 U.S.C. §103, is also a mixed conclusion of fact and law. Therefore, the appropriate standard of review of this conclusion, were it reviewed under the APA, would be whether it is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law. Any lesser standard of review of the PTO's decision would be inconsistent with the purposes and language of the APA.

A. The Jury's Decision Was Equivalent to an Administrative Review of the PTO's Decision.

Not every patent lawsuit requiring a jury review of a patent will necessarily result in the kind of administrative review envisioned by the APA. Instead, this will occur only in cases having the following two characteristics, both of which are present here:

> 1. The pertinent prior art evidence on which the challenger's anticipation and obviousness defenses are based was examined by the PTO.
>
> 2. The patentee committed no inequitable conduct by misleading the PTO regarding the invention or the pertinent prior art.

The discussion below demonstrates that each of these characteristics is present in this case.

1. The PTO Reviewed the Challenger's Pertinent Prior Art.

At trial, Manildra claimed that the inventions of the two patents in issue (the "Patents") were anticipated under 35 U.S.C. §102 or rendered obvious under 35 U.S.C. §103 by the following items of prior art:

1. U.S. Patent No. 2,642,185 (the "Fontein Patent");
2. British Patent No. 1,252,858 (the "NCR Patent"); and
3. The work of Dr. William Yamazaki in 1963 and 1964.

Appendix to Manildra's Petition for Writ of Certiorari ("Man. App.") 6a-7a, 37a-42a. Each of these three items of prior art was referred to in the application which led to the issuance of the Patents and was reviewed by the Patent examiners. *Id.*

Other items of evidence cited by Manildra did not rise to the level of pertinent prior art which could invalidate a patent. The trial court mentioned only one such item in its decision denying OMI's motion for JMOL on the patent issues. Man. App. at 38a. This item was a second article by Dr. Yamazaki, Tr. Ex. 1344, discussing the same experiment he had described in his earlier article, Tr. Ex. 1053 p. 113, which the PTO examiners had reviewed.

The second Yamazaki article is not legally more pertinent, however, than his first article for purposes of an anticipation or obviousness analysis. In fact, Manildra's patent expert, John Howell, testified that the second article was at most somewhat more detailed than the first. Appendix to Cross-Petition for Writ of Certiorari ("Cross-Pet. App.") at 4a. In addition, Howell testified that the second article is incomplete and does not enable a person of ordinary skill in the art to reproduce the experiment. Cross-Pet. App. at 4a-5a. Manildra essentially acknowledged this by offering live testimony by Dr. Yamazaki to "elaborate" on his articles and fill in the gaps in their disclosure with materials never made public before the trial in this matter. Cross-Pet. App. at 2a-3a.

Most importantly, Manildra contended that the second Yamazaki article, like the first, anticipated or rendered obvious *only* Claims 24 through 27 of Patent No.

3,901,725. Cross-Pet. App. at 6a. All of the remaining claims in issue (independent Claims 1, 8, and 16 of Patent No. 3,901,725, independent Claims 1, 6, 8, and 11 of Patent No. 4,280,718, and additional claims dependent on them) are, according to Manildra, totally unaffected as to anticipation or obviousness by either of Dr. Yamazaki's articles.

As a result, the PTO reviewed all of the same pertinent prior art that the jury reviewed.

2. The Jury Found that No Inequitable Conduct Occurred.

The jury's verdict specifically found that no inequitable conduct had occurred in the procurement of the Patents. Man. App. at 4a. Manildra did not challenge these findings by a motion for judgment as a matter of law, either before or after the verdict, and it did not challenge the findings on appeal. Therefore, these findings are conclusive. They confirmed that there was no irregularity in the administrative proceedings before the PTO which led to the issuance of the Patents. Specifically, they confirmed that the PTO was not misled regarding the inventions or the prior art.

B. The Jury's Standard of Review Was More Hostile to the PTO's Decision Than the APA Permits.

The district court and the Federal Circuit permitted the jury to overturn the PTO's administrative decision to

issue the Patents so long as there was "substantial evidence" to support the jury's contrary conclusion that the inventions were obvious. This is a violation of federal statutory law in two ways: (1) every determination of obviousness requires clear and convincing evidence, not merely substantial evidence, and (2) in this special administrative-review situation, as shown above, an obviousness determination must incorporate the APA's standards of administrative review.

The patent statutes create the presumption that all Patents are valid. 35 U.S.C. §282. To enforce this presumption, the Court has required a challenger to provide clear and convincing evidence supporting its claimed grounds for invalidity. *Radio Corp. v. Radio Engineering Laboratories, Inc.*, 293 U.S. 1 (1934); *Tol-O-Matic, Inc. v. Proma Produkt-und Marketing Gesellschaft m.b.H.*, 945 F.2d 1546, 1552-54 (Fed. Cir. 1991). The Federal Circuit's opinion in this case, however, never mentioned this clear and convincing evidence standard. Instead, it upheld the jury's finding of invalidity based merely on routine "substantial evidence", which it referred to as "more than a 'mere scintilla' ". Man. App. at 5a-8a. This alone would render the Federal Circuit's decision invalid and subject to reversal.

In addition, however, since this case involved direct jury review of the PTO's administrative decision based on the same evidentiary record, the required standard of review should have been even more stringent. In order to incorporate the standards of the APA, the jury's verdict should have been upheld only if Manildra had presented clear and convincing evidence that the PTO's decision

was arbitrary, capricious, an abuse of discretion, or not in accordance with law.

The Federal Circuit has recognized in the past that greater deference is due to the PTO's decision where the record before the jury is essentially the same as the administrative record before the PTO. *Hewlett-Packard Co. v. Bausch and Lomb, Inc.*, 909 F.2d 1464 (Fed. Cir. 1990) (where pertinent prior art was disclosed to PTO, challenger's burden is "especially difficult"). In *American Hoist & Derrick Co. v. Sowa and Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984), the Federal Circuit held:

> When no prior art other than that which was considered by the PTO examiner is relied upon by the attacker, it has the added burden of overcoming the deference that is due to a qualified agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art and whose duty it is to issue only valid patents.

American Hoist found the source of this deference in the court's decision in *Morgan v. Daniels, supra. See also, Neff Instrument Corp. v. Cohu Electronics, Inc.*, 298 F.2d 82, 86-87 (9th Cir. 1961) (presumption of validity is "based upon the expertness of the Patent Office" and it "becomes all the stronger when the Patent Office has considered the most pertinent references before issuing the patent").

However, the Federal Circuit failed to apply this heightened standard of scrutiny to the jury's decision in this case. Instead, the Federal Circuit failed even to require clear and convincing evidence of obviousness.

This violated two of this Court's precedents. First, it violated the rule of *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986), which requires a court ruling on a motion for JMOL to take into account the non-movant's burden of proof, especially where that burden requires clear and convincing evidence. Second, it violated the rule in *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402 (1971), which establishes the supremacy of the deferential administrative review standards contained in the APA. Because it is contrary to both of these precedents, the Federal Circuit's decision should be reviewed by the grant of a writ of certiorari.

II. THE FEDERAL CIRCUIT IGNORED UNCONTESTED EVIDENCE OF INFRINGEMENT, CONTRARY TO THE COURT'S PRECEDENT.

The Patent laws prohibit all infringement, without establishing a threshold level. Infringement is defined broadly in 35 U.S.C. §271(a), which states that "whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent." The Court held as long ago as 1874 that even a slight amount of infringement is still infringement and violates the statute. In *The Wood-Paper Patent*, 90 U.S. (23 Wall.) 566, 607 (1874), the Court stated:

> If there has been any infringement it was very slight . . . This may have been, and it probably was, only occasionally, but it was, nevertheless, an invasion of the monopoly.

The Federal Circuit and its predecessors have generally followed this rule, by narrowly construing the judicially created experimental-use exception and resisting other efforts to establish exceptions to the statutory prohibition of infringement. In *Roche Products, Inc. v. Bolar Pharmaceutical Co.*, 733 F.2d 858, 862-63 (Fed. Cir.), *cert. denied*, 469 U.S. 856 (1984), the Federal Circuit held that it is a misnomer to call infringement *de minimis* when it has definite, cognizable, and not insubstantial commercial purposes and held that such infringement violates the patentee's rights "even if the quantity used is small." In *Neff Instrument Corp. v. Cohu Electronics, Inc.*, 269 F.2d 668, 672-73 (9th Cir. 1959), the Ninth Circuit reviewed prior decisions issued by itself and the Second, Sixth, and Seventh Circuits holding that the manufacture or sale of one infringing machine creates liability, and it reversed the district court's summary judgment order which had excused a single undisputed infringing sale as *de minimis* activity.

The Federal Circuit ignored these precedents in this case, however, by permitting Manildra to escape liability even though there was uncontested evidence from Manildra's own records that it had made and sold thousands of pounds of infringing product. Manildra acknowledged that its products satisfied all of the elements of the claims in issue except the numerical limitations. Cross-Pet. App. at 1a. These numerical limitations called for wheat starch with "about 22%" of its particles by population above 22 microns and "about 99%" by volume above 12 microns. Cross-Pet. App. at 8a. Manildra's own expert, George Frost, acknowledged that, using Manildra's measurements of its own production

runs of the accused product, called M-80, ten of Manildra's 2400-pound production pallets literally infringed the first of these numerical limitations, and five of those pallets infringed both of the numerical limitations. Cross-Pet. App. at 7a.

Evidence was also presented at trial that many batches of Manildra's product did not infringe, and Manildra claimed that this demonstrated that its infringing products were statistically insignificant "outliers". However, these other noninfringing batches do not contradict the fact that several 2400-pound batches did infringe. The Federal Circuit erred in ignoring the uncontested evidence of literally infringing products, as revealed in the following statement from its opinion:

> Moreover, although M-80 data were presented at trial that would have supported the finding of infringement of the claims' granule size and quanta limitations, there was also more than substantial evidence for the jury to have concluded otherwise, as it did.

Man. App. at 10a.

In other words, the Federal Circuit permitted the jury to "weigh" the uncontroverted evidence of literally infringing pallets against the evidence of other, noninfringing pallets. This ruling allowed the jury's finding of no infringement to stand so long as the jury found that the uncontested infringement was "outweighed" by evidence of separate non-infringement. The Federal Circuit's ruling is directly contrary to the Court's precedent in *The Wood-Paper Patent*, and the Court should grant certiorari to correct this error.

III. CONCLUSION

The Federal Circuit permitted the jury essentially to reverse the PTO's decision regarding patentability, after reviewing the same pertinent prior art, but without requiring the jury to show the deference mandated both by the Court's decisions and by Congress. The Federal Circuit also failed even to review the evidence under the clear and convincing standard required by the Court's and its own precedents. The Court should grant certiorari to re-establish the appropriate standard of review.

The Federal Circuit also condoned the jury's ignoring Manildra's substantial uncontested infringment on the ground that there was also some evidence of noninfringing products. The Federal Circuit's error violated the Court's interpretation of the patent statute defining infringement, which held that this statute does not excuse slight infringement. Certiorari is appropriate to reaffirm this precedent as well.

Respectfully submitted,

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APPENDIX

[E. Johnson Tr. 550]

Q. This is – this is part of the separation process in order to get the M-80 product. Is that right?

A. It all is, yes.

Q. And that then produces the A Starch. Is that right?

A. Yes.

Q. And is the A Starch a native colloid slurry?

A. Yes.

Q. Substantially free of fiber and soluble protein and other nonstarch material?

A. Basically.

Q. Now, the – these hydrocyclones that were acquired from Pillsbury, these are Dorr-Oliver hydrocyclones?

A. Yes.

Q. And these Dorr-Oliver hydrocyclones can perform both a washing function and a classifying function, can they not?

A. Yes.

Q. And they can do either depending upon adjustments. Isn't that right?

A. Yes

Q. And so the hydrocyclones in the Minneapolis facility of Manildra can perform the function

* * *

[Yamazaki Tr. 4004]

Q. Why don't you look at 13 – Trial Exhibit 1344, sir, and turn to Page 74.

A. 74?

Q. Yes.

MR. GREGORY: Thank you, Mark.

Q. Okay, sir. I think you just testified that the – for the first pass you – excuse me, to achieve the first cut you went through 8 passes, to achieve the second cut you went through 4, and to achieve the third cut you went through 2 passes?

A. That's correct.

Q. Now, in your report, Trial Exhibit 1344, at Page 74, you see in the third full paragraph it says, In all separations by air classification, multiple passes, paren (6 to 10) paren, were required to obtain the desired purities of the fractions. Do you see that?

A. Yes, I do.

Q. Now, that certainly states that for each separation you had to use at least 6 passes?

A. Well, when we say all separations, we are referring to separations by the air classifier or both the large granule starch and the small granule starch. Because the small granule

[Yamazaki Tr. 4005]

starch was one of the products that we were obtaining.

Q. So in the first cut you're saying you – the – the prime starch went through the air classifier eight times?

A. Yes

Q. So that there were no less than 14 passes in order to get S-6208?

A. That's correct.

Q. You operated the entire experiment off of a bench model air classifier. Is that right?

A. This was the research model which we showed a photograph of during the testimony.

Q. Now, where in your work that is described as Trial Exhibit 1344 do you describe the model type of – of research bench model? Do you understand my question, sir? Do you understand my question?

A. Yes, I think I do.

Q. I'm asking you about the model number. Where in your –

A. There is no mention of the model number as such.

Q. Okay, sir. You mean at all? There is no motions [sic] of the model number at all?

* * *

[Howell Tr. 6707]

A. Yes.

Q. Okay

A. Yeah, under those sets of facts, the answer would be, I'm not aware of any case like that.

Q. Okay, sir. Let's talk about the other prior art where we talked about what – what was before the Patent

Office in the way of Yamazaki 2, and did you complete your answer as to what was missing that the Examiner did not see because he did not have Yamazaki 2 in front of him?

A. Well, I mentioned the size requirements of the claims, 22 percent and the 99 percent.

Q. Yes.

A. And I think in general, the Yamazaki 2 reference is more detailed and specific than the Yamazaki 1 reference. Both in how the prime starch is produced, and I also think it's somewhat clear and more detailed on the air classification and the results that he achieved using air classification.

Q. But we have gone through some of the information that it is not even included in Yamazaki 2 with respect to the process, no flow rate, for example. Is that right?

[Howell Tr. 6708]

A. Right.

Q. No reference to baume. Is that right?

A. Yes, we've talked about that.

Q. No understanding as to how the centrifuge worked. You said you wouldn't know that, but maybe someone of ordinary skill in the art might understand how the centrifuge was working?

A. Yes, I would think they would. I don't happen to know. I'm not an expert on centrifuges.

Q. Right. And one would have to know all that to enable himself or herself to duplicate that. Right?

A. One would have to know enough that – in – in reviewing Doctor Yamazaki's work that they could reproduce the results of that work, yes.

Q. Now, if there is no sub-sieve analysis in Doctor Yamazaki's work, is it fair to say that the Yamazaki 2 does not anticipate claims 24 to 28?

A. No. Because the patent tells you what sub-sieve is, which is an average – average particle size. So any prior art that would meet that limitation would anticipate those claims.

* * *

[Manildra Appeal Brief at 7]

22%/22 micron number limitation. The patent claims also require that the LGWS product have 22% of the particles, measured by *number*, or at least 22 microns in diameter. Again, the claims use different modifiers for the 22% limitation: "at least" (*e.g.*, P902, claim 24) and "at least about" (*e.g.*, P510, claim 1).

Sub-sieve limitation. Certain claims contain size limits based upon "sub-sieve value," which the patents define as corresponding to "average particle size." P902, col. 12, ln.15, 25; P510, col. 11, ln. 50, 60-1. Those claims require various sub-sieve values, *e.g.*, "substantially higher than 10.8 microns," "higher than 10.8 microns" and "in the range from 19.1 microns to about 20.8 microns." P902, claims 16, 15; P510 claim 14.

II Prior Art

During the application process, the Patent Office was not made aware of the critical prior art and information.

A. Yamazaki's 1963 air-classified LGWS

In 1963 and 1964, Dr. William Yamazaki, research director for the U.S. Department of Agriculture Soft Wheat Quality Laboratory in Wooster, Ohio, fractionated wheat starch, using a laboratory-scale Pillsbury air classifier. F3899 (Yamazaki). His LGWS met every limitation of claims 24-27 of the '725 patent, which do not refer to any process. F3973-5. Yamazaki presented his work to the public conference in 1964, attended by representatives of leading starch producers and users, and he described it in a paper published and available in the Ohio State University library. P1344, F3900-3.

[OMI Petition for Rhg. at 7]

Table 1
M-80 Literally Infringing the Requirement of
About 22% By Population Greater Than 22 Microns

Percentage Greater Than 22 Microns	Trial Exhibit	Testimony of George Frost
21.4	P2899/2-3*	"not far from it" F2101*
21.4	P2977/2-3*	
21.4	P2913/2-3*	"I'd carefully consider it" F2096*
21.9	P2903/1-2 (P2877)	"I certainly would not say out of hand it isn't" F2084-5*
22.9	P2911/2-3*	
23.1	P2902/1-2	"comes within the number" F2087*
23.4	P2970/2-4*	
23.5	P2904/1-2* (P2883*)	"does" meet the parameter F2105*
24.9	P3008/2-4*	
25.0	P2898/2-3	

Table 2
M-80 Literally Infringing the Requirement of
About 99% By Weight Greater Than 12 Microns

Percentage Greater Than 12 Microns	Trial Exhibit	Testimony of George Frost
98.1	P2979/1*	
98.1	P2981/1*	
98.1	P2898/1	
98.1	P2883*	
98.2	P2908/1*	"very much on the edge" F2089*
98.3	P2914/1*	"close enough so I certainly would consider it pretty carefully" F2097*
98.4	P2970/1*	
98.5	P2899/1*	"rather close . . . I might well consider that's about 99" F2101*
98.5	P2980/1*	
98.8	P2915/1	"effectively 99" F2102*
98.8	P2975/1*	
98.8	P2877/1	
98.9	P2973/1*	

[U.S. Patent 3,901,725, Claim 1]

1. A large granule cereal starch product obtained by wet process separation from a native colloid slurry of bimodal granule starch selected from the group of wheat, barley and rye starches, at least about 22% of the total number of granules of said large granule cereal starch being at least 22 microns in size, about 99% by weight of the granules are at least 12 microns in size, said starch being substantially free of other matter, and having been obtained by hydrocyclone separation directly from native colloid starch slurry from which substantially all of the gluten, fiber and other matter have been removed.

[U.S. Patent 4,280,718, Claim 1]

1. In a surface coated with rupturable micro-capsules, a plurality of protective particles to prevent premature rupturing of the micro-capsules during handling, said protective particles having been obtained by wet separation of the large granules from a bimodal cereal starch selected from the group consisting of wheat, barley and rye which starch normally has a bimodal particle size distribution, said protective particles consisting essentially of large cereal starch granules in which 99% by weight of the granules range in size from 12-40 microns, and in which at least about 22% of the total number of said separated large cereal starch granules are at least 22 microns in size.

Supreme Court, U.S.
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No. 93-1186

In The
SUPREME COURT OF THE UNITED STATES
October Term, 1993

OMI HOLDINGS, INC.,
Respondent/Cross Petitioner,
v.
MANILDRA MILLING CORPORATION,
Petitioner/Cross-Respondent,
and **JOHN THOMAS HONAN,**
Cross Respondent,

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CROSS-RESPONDENT'S BRIEF IN OPPOSITION

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RULE 29.1 LIST OF PARENT COMPANIES

Manildra Milling Corporation is a wholly owned subsidiary of Honan Holdings, USA, Inc. It has no subsidiaries to list pursuant to Rule 29.1.

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CROSS RESPONDENT'S BRIEF IN OPPOSITION

ARGUMENT

I. THIS COURT SHOULD NOT CONSIDER OMI'S WHOLLY NEW ARGUMENT BASED UPON THE ADMINISTRATIVE PROCEDURE ACT.

OMI's petition presents to this Court a brand new argument, never addressed to the trial court or the Court of Appeals for the Federal Circuit. That argument, which is grounded on no authority whatsoever, is that a jury's verdict of patent invalidity should be "equated" to judicial review of the determination of an

administrative agency and therefore made subject to a standard that would require upholding the validity of a patent, absent a finding that its issuance was "arbitrary and capricious."

As discussed below, there is no merit to that argument. But OMI has not even passed the first hurdle to presenting the argument here: OMI failed to raise it at the trial court or appellate level. Indeed, OMI nowhere cited the Administrative Procedure Act, 5 U.S.C. § 551, *et seq.*, ("APA") in the four briefs it filed with the Court of Appeals or in the six post-verdict briefs it filed with the trial court. As this Court has held, it will review arguments not raised before the lower courts only in "exceptional" cases. *Youakim v. Miller*, 425 U.S. 231, 234 (1976). Here, because of the special expertise of the Federal Circuit in matters relating to the patent laws, there are exceptional reasons *not* to consider a newly raised argument with very far-reaching patent law implications that OMI neglected to present to that court.

In any event, OMI's argument for a new standard has no merit.

A. Judicial Determinations of Patent Validity Have Never Been Made Subject to the Standards of the APA.

OMI cites no authority for the proposition that APA standards of review should apply to determinations of patent invalidity, and there is none.

This Court has implicitly rejected OMI's argument on numerous occasions. For example, in the landmark case *Graham v. John Deere Co.*, 383 U.S. 1 (1966), the Court considered the effect of the 1952 amendments to the Patent Act on determinations of obviousness in judicial proceedings. The Court analyzed two patents and, applying judicially developed standards, found both invalid for a lack of obviousness.

By issuing the patents in question, the Patent Office had perforce concluded that the claimed inventions in *Graham* were not obvious,[1] and this Court assumed that the patentee's claimed arrangement was not disclosed in the prior art. 383 U.S. at 24. Nonetheless, the Court concluded that, applying judicially developed standards, the invention was obvious. Nowhere in the decision is there any suggestion that, because a prior ruling of the Patent Office was in issue, the APA's "arbitrary and capricious" standard of review, should apply.

By statute, patents are entitled to a presumption of validity (35 U.S.C § 282), and invalidity must be demonstrated by clear and convincing evidence. *Radio Corp. v. Radio Laboratories*, 293 U.S. 1, 8 (1934); *Amer. Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1360 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984). OMI does not deny that those standards were applied in this case. The jury, the trial judge and the Court of Appeals having found that those standards had been met, no further requirements should have been imposed on Manildra.

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[1] Section 103 of the patent laws, 35 U.S.C. § 103 provided then as it does now:

> A patent may not be obtained although the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious....

B. Even If OMI's Proposed New Standard of Review Were Made Applicable to This Case, It Would Not Cause a Different Result.

OMI admits that its proposed new standard would not apply in cases where the Patent Office did not possess all pertinent prior art when it issued the patent in question. OMI Petition for Certiorari, p. 6. In this case, a great deal of evidence was produced at trial showing prior art not available to the Patent Office. One example was cited by the trial court:

> Substantial evidence exists in the record that Midwest Grains (f/k/a Midwest Solvents) produced a sample of fractionated wheat starch within a short time after being asked to come up with a sample of classified wheat starch. [Manildra Petition for Certiorari p. 44a.]

The jury considered that and other evidence, including the second Yamazaki article, which OMI acknowledges was not before the Patent Office. While OMI believes that that prior art was not probative and did not make the claimed invention obvious, the trier of fact disagreed. Thus, even if the Court were to adopt OMI's proposed new standard of review, it would not change the result in this case.

II. Neither the Federal Circuit Nor the Trial Court Ignored Any Evidence of Infringement.

As it argued strenuously to the jury, OMI insists to this Court that Manildra's product, called M-80, literally infringed the numerical limitations found in the patent. OMI suggests that this evidence was uncontroverted, yet was ignored by the jury, the trial court and the Federal Circuit.

OMI fails to apprise the Court that Manildra's M-80 was a product made by a process found to be different from that in the patents. As the district court stated:

> Substantial evidence was presented during trial that Manildra's product was produced through air classification [as opposed to the patent claims calling for wet classification], thus, failing the second prong of the equivalency test as it relates to the process and product by process claims in issue. [Manildra's Petition for Certiorari, p. 47a.]

And the Federal Circuit concluded:

> [W]e are convinced that there was substantial evidence before the jury that the air classifier in fact plays an integral and important role in Manildra's production.... [*Id.*, p. 13a.]

All the claims in issue, save those anticipated by Yamazaki,[2] contained product-by-process limitations. Consequently, the jury simply found that M-80 was not a product covered by the patent claims and could not infringe, no matter what its size. And, even if M-80 were covered by the claims, the jury heard credible evidence that the production-run tests relied upon by OMI (about 25 out of over 7,600) were simply erroneous, since they differed so radically from the overwhelming number of exculpatory tests and

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[2] Four of the claims of one of the patents specified a wheat starch product of certain size, without regard to how it was made. Evidence at trial showed plainly that the same size starch had been produced many years prior to the patent application; the actual starch was introduced as an exhibit. Consequently, those claims were anticipated and invalid. OMI's argument that the process for making that starch was not commercially sound or the same as subsequently used by Manildra is irrelevant; anticipation of a product patent claim does not require production by any particular method. *See, In re Schoenwald* 964 F.2d 1122, 1124 (Fed. Cir. 1992)

since they were never intended to be done with precision found in a testing laboratory.

CONCLUSION

OMI's proposed new standard for determining patent invalidity was never raised below and should now be barred. The new standard would be inconsistent with all pertinent rulings of this Court since enactment of the APA. Even if the Court were to adopt the new standard, it would not affect the outcome of this case. Finally, OMI's contention that evidence of infringement was "ignored" by the Federal Circuit is incorrect and depends wholly on determinations of fact contrary to those made by the jury.

Respectfully submitted,

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On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

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ARGUMENT

I. THE FEDERAL CIRCUIT'S STANDARD OF PROOF WOULD DESTROY THE PRESUMPTION OF AGENCY EXPERTISE.

OMI has asserted throughout this litigation that the law places a special, heightened burden of proof on a party challenging the validity of a patent where the Patent and Trademark Office ("PTO") reviewed the same pertinent prior art presented to the court or jury. That higher burden was not applied by the Federal Circuit, and, as a matter of law, it was not met by Manildra's evidence.

A. The PTO's Expertise Is Given Heightened Protection in Civil Actions Equivalent to Administrative Review.

Manildra has correctly stated the burden of proof imposed on the challenger in most claims of patent invalidity: the patent is presumed valid, and the challenger must present clear and convincing evidence of invalidity to overcome that presumption. *Radio Corp. of America v. Radio Engineering Laboratories, Inc.*, 293 U.S. 1 (1934). However, that less stringent standard does not apply in cases like this one. Moreover, even the less stringent standard was not applied in this case, and the jury's verdict was upheld based on mere "substantial evidence."

Since the challenger is usually not a party to proceedings before the PTO which led to the issuance of the patent, the challenger often uncovers and presents prior art which was not considered by the PTO. The challenger usually presents this additional prior art in support of a claim that the patent is invalid due either to anticipation (35 U.S.C. § 102) or to obviousness (35 U.S.C. § 103). In those circumstances, where the record presented to a judicial factfinder contains more pertinent evidence than the record presented to the federal agency, deference to the agency's expertise is tempered because the agency's

determination was based on a review of less than all of the pertinent material. The "clear and convincing evidence" standard is the formula that has developed to express this limited deference. *Radio Corp., supra.* The Court has held that to be clear and convincing, the evidence must "place in the ultimate factfinders an abiding conviction that the truth of [the] factual contentions are 'highly probable.' " *Colorado v. New Mexico*, 467 U.S. 310, 316 (1984).

Where the factfinder in a civil action reviews the very same pertinent prior art that the PTO reviewed, however, it is plain that a greater level of deference to the PTO must be applied. The Federal Circuit has recognized this on various occasions by holding that a higher burden of proof applies to the challenger in these cases. However, the Federal Circuit has never articulated a clear, concise guideline that lower courts could follow. *See Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1467 (Fed. Cir. 1990) (challenger's burden in this type of case is "especially difficult"); *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984) (challenger has an "added burden"); *Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1577 (Fed. Cir. 1983) (challenger's burden is "most formidable").

It is little wonder that, as a result, the district courts have used a wide range of confusing and conflicting verbalizations of the law in cases like this one. *Compare AMP, Inc. v. Lantrans, Inc.*, 19 U.S.P.Q.2d 1929, 1933 (C.D. Cal. 1991) (where challenger's prior art was reviewed by PTO, burden is "particularly strong"); *and Ortho Pharmaceutical Corp. v. Smith*, 15 U.S.P.Q.2d 1856, 1861 (E.D. Pa. 1990) (attacker's burden is "more difficult" when prior art presented is same as or "no better than" that reviewed by PTO); *with Medical Designs, Inc. v. Medical Technology, Inc.*, 786 F.Supp. 614, 618 (N.D. Tex. 1992) (burden of proof does not change when attacker presents prior art not considered by PTO); and *Gillette Co. v. S.C. Johnson & Son, Inc.*, 12 U.S.P.Q. 2d 1929, 1943 (D. Mass.

1989), *aff'd*, 919 F.2d 720 (Fed. Cir. 1990) (burden is only "clear and convincing" whether PTO reviewed prior art or not).

The Federal Circuit not only failed to take advantage of the opportunity to more clearly articulate the heightened burden of proof that applies to cases of this type, it failed even to apply the less-demanding "clear and convincing evidence" burden. Manildra falsely asserts that OMI "does not deny" that the clear and convincing evidence standard was applied by the Federal Circuit. Cross-Respondent's Brief in Opposition at 3. To the contrary, OMI's Cross-Petition asserts that the Federal Circuit applied *neither* that usual standard nor the heightened standard. OMI's Cross-Petition for Writ of Certiorari at 9. Instead, it applied the simple "substantial evidence" standard, which it defined as "more than a 'mere scintilla,' " Man. App. at 6a. In so doing, the Federal Circuit improperly let stand the jury's verdict that patents issued by the PTO were invalid, completely disregarding the concept of deference to the PTO's decisions. This violated the Court's holding in *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986), which requires a court ruling on a JMOL to incorporate the correct burden of proof in its analysis.

The Court should grant a Writ of Certiorari to OMI, not only to reverse the incorrect result in this case, but also to supply the clear standard that consistent enforcement of the patent laws requires. OMI's Cross-Petition demonstrates that the best source for that clarity is the statute in which Congress established judicial review standards for federal agency actions, the Administrative Procedure Act ("APA"), 5 U.S.C. § 706(2)(A). Under that "arbitrary and capricious" standard, agency action must be upheld if there is a rational connection between the record reviewed and the choice the agency made. *Motor Vehicle Mfrs. Ass'n, Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42-43 (1983). A civil action in the circumstances presented here is so closely analogous to administrative review that the Congressional scheme would be thwarted if the standards of proof governing the two

were as widely diverging as the Federal Circuit has permitted them to be in this action.

The precedent cited by Manildra, *Graham v. John Deere Co.*, 383 U.S. 1 (1966), demonstrates the validity of conforming civil-action standards to administrative-review standards where the two are functional equivalents. According to *Graham*, the courts have a duty to enforce the policy selected by Congress "by appropriate application, in each case, of the statutory scheme of Congress." *Id.* at 6. After elaborating on the requirements of obviousness under 35 U.S.C. § 103, *Graham* held that both the PTO and the courts must follow those requirements, because: "This would, we believe, not only expedite disposition but *bring about a closer concurrence between administrative and judicial precedent.*" *Id.* at 18-19 (emphasis added, footnotes omitted).

Graham's goal of achieving a close concurrence between administrative and judicial precedent in the patent field would not be served by permitting the burden of proof for administrative review of PTO decisions other than patent validity to be the APA's "arbitrary and capricious" burden while at the same time permitting juries to overturn the PTO's patent validity decisions, on the same record, by applying something less than that same arbitrary and capricious burden. The Court should grant certiorari to make the two standards congruent.

B. OMI Has Consistently Asserted that the Heightened Standard Applies.

Manildra claims that the Court should not consider the issue of the appropriate burden of proof because the APA was not mentioned in OMI's briefs in the lower courts. OMI asserted, however, in each of those briefs that the courts should apply the heightened standard of review in this case, because the jury reviewed the same pertinent prior art that the PTO reviewed. Excerpts from OMI's post-trial and appellate briefs addressing this issue

are collected in the Appendix to this Reply Brief ("Appendix") at 8a-10a.

OMI's Cross-Petition does not contend, and OMI has never contended, that this case is an administrative review proceeding filed under the APA. OMI has always acknowledged that this case is a private action for a declaration of whether two patents are valid, filed under 28 U.S.C. §§ 1338 and 2201. However, OMI does contend, as it has from the beginning, that the jury should have been instructed to apply a more strict burden of proof because greater deference is due to the PTO where the Examiner reviewed the pertinent art. The Cross-Petition identifies a number of sources from which the Court could draw the particular wording for that burden, including the Court's own precedent, Federal Circuit precedents, and the expression of Congressional intent in the APA. By relying on these sources, OMI has not raised a new argument; it has presented additional support for an argument raised previously. *Canton v. Harris*, 489 U.S. 378, 384 (1989) (certiorari properly granted because "at each stage in the proceedings below, petitioner contested any finding of liability on this [allegedly newly articulated] ground").

C. All of the Pertinent Prior Art Was Considered by the PTO.

Manildra contends that the jury was offered pertinent prior art not reviewed by the PTO, quoting from the trial court's Memorandum Opinion and Order. Appendix to Manildra's Petition for Certiorari ("Man. App.") at 44a. The sentence quoted, however, is *not* from the district court's discussion of the content of the prior art. It is instead from the district court's discussion of one of the secondary considerations of obviousness – whether others failed where the patentee succeeded. The quoted sentence refers to evidence that a competitor of the inventors, Midwest Grains, fractionated wheat starch within a short time after being asked to do so, which could tend to

show that this secondary factor of "failure of others" would not favor OMI.

The district court did not indicate, however, that Midwest Grains' effort was "prior art" predating the inventions described in the Patents. In fact, the Midwest Grains product was not reduced to practice before the Patents' invention was, because Midwest Grains used only a single pass through a hydrocyclone, not multiple passes as described in the Patents, and did not produce an acceptable large-granule wheat starch matching the invention until nine months *after* the inventors' employer had begun shipping production quantities of the starch invention to carbonless copy paper makers. Appendix at 1a-4a.

The only additional material not before the PTO referred to by Manildra and the district court is Dr. Yamazaki's second article, which could apply at most only to four claims of one of the Patents, not to the seven other independent claims in issue and their dependent claims. As discussed in OMI's Cross-Petition, Manildra's expert testified that this second article described the same experiment that Dr. Yamazaki's first article had described, and the first article was reviewed by the PTO. Only if the second article were *more pertinent* than the first should the jury have applied the less-deferential "clear and convincing evidence" burden. *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1553 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 851 (1984) (additional prior art must be "*more pertinent*" than that reviewed by PTO, to prevent "the insidious attraction of the siren hindsight") (emphasis in original); *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 894 (Fed. Cir.), *cert. denied*, 469 U.S. 857 (1984).

The relative pertinence of the second Yamazaki article was, therefore, necessarily a question of law for the district court, reviewable *de novo*. However, neither the district court nor the Federal Circuit expressed a conclusion that the second Yamazaki article was *more* pertinent or relevant than the first. Man. App. at 6a-8a, 38a-39a.

The admissions by Manildra's expert John Howell that the two articles covered substantially the same subject and that the second article was incomplete and nonenabling, Appendix to Cross-Petition for Writ of Certiorari ("Cross-Pet. App.) at 4a-5a, prevented such a ruling. By incorrectly deciding this question of law, the lower courts upheld a jury verdict which improperly second-guessed the PTO based on the same pertinent prior art.

The Court should grant a Writ of Certiorari in order to provide the lower federal courts a clear and appropriate burden of proof to guide civil-suit factfinders when they review a patent's validity based on the same pertinent prior art that the PTO reviewed. That standard should incorporate the additional deference due the PTO in those situations, by requiring more than simply clear and convincing evidence. OMI believes this definition is best formulated in the APA, which protects an agency's decision on a combined fact-law question from reversal unless it is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law. Since the Federal Circuit did not apply this burden or an equivalent, and in fact did not even apply the "clear and convincing" burden, certiorari is necessary to achieve this goal.

II. THE EVIDENCE OF INFRINGEMENT WAS UNCONTESTED.

Manildra claims that the uncontested evidence of its literal infringement of the Patents is nullified by either (A) the presence of the air classification step in its wheat starch production process, or (B) the fact that its infringement was infrequent. Neither is sufficient under the law to excuse literal infringement.

A. Manildra's Process Comprised All Steps of the Patented Process.

The interpretation of the meaning of patent claims is an issue of law. *Whittaker Corp. v. UNR Industries, Inc.*, 911 F.2d 709, 711 (Fed. Cir. 1990). To justify the jury's verdict

of noninfringement, however, Manildra offers the Court an interpretation of the patent claims that is contrary to law and that was not applied by the district court or Federal Circuit.

The Patents describe a process for producing LGWS which "comprises" several steps, including the classification of wheat starch particles by passing them in wet slurry form through multiple stages of hydrocyclones. Cross-Pet. App. at 8a. The word "comprises" is a patent-law term of art, meaning including but not limited to. *Stiftung v. Renishaw PLC*, 945 F.2d 1173, 1178 (Fed. Cir. 1991). An accused process literally infringes, therefore, if it includes all steps listed in a patent claim describing a process "comprising" certain steps, even if the accused process includes other steps not listed in the patent claim. *Stiftung, supra*; *Amstar Corp. v. Envirotech Corp*, 730 F.2d 1476, 1482 (Fed. Cir.), *cert. denied*, 469 U.S. 924 (1984).

Here, Manildra's process admittedly "comprised" or included all of the patented steps, including the separation of large-granule wheat starch from ordinary wheat starch by feeding a wheat starch slurry through multiple stages of hydrocyclones. Cross-Pet App. at 1a, 7a. Manildra's air classifier device was used only *after* this wet separation had produced the patented invention and the starch had been dried. Appendix at 1a. Manildra's own data showed that this device performed little if any classification and instead damaged the starch. Appendix at 4a-6a. If the accused process includes every step listed in a "comprising" patent claim, adding another step which refines or modifies the process does not render it noninfringing, as a matter of law. *Stiftung, supra*; *Amstar, supra*. Adding the air classifier, then, simply could not affect the fact that Manildra's process comprised all of the patented process steps.

The quotations in Manildra's responding brief from the lower courts' decisions do not relate to OMI's claims of literal patent infringement. They are instead the district court's and Federal Circuit's discussions of OMI's

alternate claim that Manildra infringed under the Doctrine of Equivalents. Man. App. at 13a, 47a. The Doctrine of Equivalents holds that a product or process which does not literally infringe a patent claim may nevertheless infringe if it performs substantially the same function in substantially the same way to obtain substantially the same result. *Graver Tank & Mfg. Co. v. Linde Co.*, 339 U.S. 605, 608 (1950). While the presence of additional steps may or may not be relevant to a Doctrine of Equivalents analysis, it is not relevant to a claim for literal infringement, because literal infringement examines only whether each step in the claim's process is found in the accused process, whether or not other steps are also present.

Since Manildra's process comprises all of the Patents' process steps, the additional step of blowing the starch though an ineffectual air classifier after the patented process is already complete does not excuse Manildra's literal infringement.

B. Infrequent Infringement Is Not Excusable.

Manildra's last argument defends the lower courts' decisions to allow the jury to "weigh" the evidence of Manildra's non-literally-infringing batches of LGWS against its admittedly infringing batches. No case law is offered to support that argument because there is none. The Court and the Federal Circuit have refused to permit infringers to carve an "infrequent infringement" exception into the statutory prohibition against all infringement. *The Wood-Paper Patent*, 90 U.S. (23 Wall.) 566, 607 (1874); *Roche Products, Inc. v. Bolar Pharmaceutical Co.*, 733 F.2d 858, 862-63 (Fed. Cir.), *cert. denied*, 469 U.S. 856 (1984).

Manildra also characterizes its own quality-control test results of admittedly infringing batches as "erroneous" and "radically" different from the remainder of the test results. Manildra is, in effect, attempting to justify the jury's verdict by impeaching its own test reports.

However, the jury heard no evidence tending to impeach these reports, because the trial judge denied Manildra's efforts to impeach them by excluding its proffered materials. Appendix at 11a.

The evidence the jury did receive shows that the infringing batches were quite consistent with Manildra's parameters for producing LGWS. Manildra's own quality control standard required its LGWS granules to be at least 95% by weight greater than 12 microns in diameter. Appendix at 7a-8a. The infringing batches, which exceed that standard and also cross the Patents' literal parameter of 99% by weight greater than 12 microns in diameter, are not "radically" different from the remaining batches. In any event, *scienter* is not an element of infringement, and the patent statutes do not excuse any infringement, even if it is mistaken, inadvertent, or unintentional. *The Wood-Paper Patent, supra.*

The lower courts have created an exception for intermittent infringement which Congress did not authorize. The Court should not allow that exception to stand.

CONCLUSION

The Court should grant OMI's Cross-Petition for Writ of Certiorari to articulate and apply the appropriate heightened burden of proof where the jury and PTO review the same prior art. The Court should also reaffirm its precedent that even slight infringement, whether intentional or not, incurs liability under the patent laws.

Respectfully submitted,

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APPENDIX

[E. Johnson Tr. 543]

A. Yes.

Q. And what is going into the hydrocyclone is 9 to 10 microns, you said?

A. Yes.

Q. So that the hydrocyclones are doing what we call classifying. Is that right?

A. I call it losses.

Q. Well, I'll accept the word. But the truth of the matter is, there are starch particles that are less than 11 or 10 microns in size that are being withdrawn. Is that right?

a. Yes.

Q. And so just to be clear, let's talk about the Manildra process. You have Westfalia centrifuges. Is that right?

A. Yes.

Q. And then you have the output of the Westfalia centrifuges being fed to the Dorr-Oliver Hydrocyclones?

A. Yes.

Q. And then you have the output of the dorr-Oliver hydrocyclones going to a dryer and then to the air classifier?

A. Yes.

Q. And the – again, the output from the

* * *

[Seaberg Tr. 2788]

A. I can't say that I knew they were qualified at this precise point, no.

Q. You – your company was not yet qualified –

A. No.

Q. – by Appleton. Is that true?

A. That's correct.

Q. Now, I'd like to show you Exhibit 2607, which I believe is also in evidence. Let me ask you about that, sir. This is an internal NCR document. Do you see in the first – by the way, this is dated May 28, 1971. Do you see that, sir?

A. Yes, I do.

Q. It says in the first sentence, "Mr. Moore called to advise us that Staley started full production of fractionated wheat starch on May 21, 1971." Now, as of May 21, 1971, was your company in production of fractionated wheat starch?

A. We had only made the trials on the one-stage TM-1.

Q. And you'd not yet been qualified based on those submissions. Is that true?

A. No.

Q. So as of May 21, 1971, is it fair to say that

[Seaberg Tr. 2789]

Midwest had not yet successfully produced a large granule starch that was acceptable to Appleton?

A. Not successfully, no, that was acceptable. No.

Q. All right, sir. Now, you were shown Exhibit 154 by Mr. Walch, which is a document that should be there in front of you.

A. Somewhere.

Q. And I don't know – let me see if I can describe it for you. It's going to be a letter without a letterhead, the sticker is on the bottom, 154.

A. Ought to be getting close.

Q. If you can't find it, maybe you could look on the screen here because we have a copy of it on –

A. Have it now.

Q. Do you have it there, sir? That was a letter to you on June 7, 1971. Do you see that, sir?

A. Yes.

Q. And it talks about your prices – your price and freight for shipping fractionated wheat starch. Do you see that, sir?

a. Yes, I do.

* * *

[Seaberg Tr. 2793]

qualified by Appleton as of this date, had you?

A. No.

Q. And ultimately, you had to, in fact, change your process in order to come up with a suitable product and produce the volumes that Appleton wanted. Isn't that true?

A. That's correct.

Q. This price that – that you're quoting was based upon I think what's referred to as a one-pass system. Is that right?

A. That's right.

Q. And that's where it – what, it just passes – the product passes through one hydrocyclone?

A. One bank of hydrocyclones.

Q. One bank of hydrocyclones?

A. Right.

Q. I see. And you ultimately found that that wouldn't work to make the product?

A. That's right.

Q. And – and when you – and we'll talk about this later, but when you found that you needed to increase it to a two-pass system, you weren't able to sell it at $12 a hundredweight, were you?

* * *

[Gustafson Tr. 11024]

product. The product was made after it came out of the hydrocyclones.

Q. What purpose, if you know, did the air classifier have?

A. The air classifier got around the patent.

Q. But it performed no function?

A. No function whatsoever.

Q. How do you know that the air classifier performed no function?

A. We ran test on – with a Coulter Counter of the product before and after the air classifier, and there was no difference.

Q. Who ran the tests?

A. Errol Johnson.

Q. Did you have any conversations with Mr. Johnson about the role the air classifier played in the Manildra process?

A. We had many conversations.

Q. What did Mr. Johnson say to you about --

A. Errol Johnson told me that the saleable product was made by the Dorr-Oliver wet separation, that the air classifier did nothing.

Q. What, if anything, did Mr. Johnson tell you about the product that was coming out of the

[Gustafson Tr. 11025]

hydrocyclones before that product went to the air classifier?

A. It was saleable material for large granule wheat starch.

Q. For what application?

A. Carbonless paper.

Q. So Mr. Johnson told you that the product coming out of the hydrocyclone before it went into the air classifier could be used as a stilt material in carbonless copy paper?

A. That's correct. And the Coulter Counter tests proved it.

Q. Did you have any conversation with Mr. Johnson while you were employed at Manildra regarding Henkel's large granule wheat starch product?

A. Yes.

Q. Could you describe those conversations?

A. Well, the conversation was that that was the product that we were attempting to duplicate. They owned the patent on the material. I believe they licensed Midwest Solvents to manufacture a product within the patent. But this was the – what we were shooting for. This was the industry standard.

Q. So it was your effort to try to duplicate the

[Gustafson Tr. 11026]

Henkel products?

A. The Henkel product, absolutely.

Q. And did Mr. Johnson talk to you about the Henkel process?

A. We knew that it was a wet separation because Errol had access to the patent.

Q. To whom was Manildra attempting to sell its large granule wheat starch at the time you were there?

A. Appleton Paper, Moore Business Forms, Mead, Nashua, and Boise-Cascade.

Q. Were you involved in attempting to sell to each of those customers?

A. That was my job.

Q. Did you send any samples of large granule wheat starch material to these customers or potential customers of Manildra's?

A. Yes, I did.

Q. While you were attempting to sell the large granule wheat starch product to these customers or would-be customers, did you receive any information that any customer did not want to buy large granule wheat starch from Manildra?

A. Yes.

[Trial Exhibit 518]

[Manildra letterhead]

September 3, 1981

To confirm our telephone conversation of September 1, 1981, I have the following information to report regarding Manildra M-80 Starch for Application in carbonless paper manufacturing.

PRODUCT SPECIFICATION - (Minimum Particle Size)

95% 12 plus Microns by Volume
75% 16 plus Microns by Volume
50% 19 plus Microns by Volume

Moisture 11.5% Max.
Protein 0.35% Max.
pH 6.4 - 6.9
Fiber .20 Max.
Ash 0.3% Max.
Color White

PRICING

Our current price of .28 per pound F.O.B. Minneapolis, Mn. is guaranteed through December 31, 1981. Terms are net 20 days.

PACKAGING

100 pound bags packed 24 to a pallet. Pallets are wood 40" x 48", four-way type, and are shrink wrapped. The pallets charge is $7.35 each.

SHIPMENT

Shipments from Minneapolis, MN. will be prepaid and added to your invoice. Normal truckload shipments are 40,800 pounds, net, or 17 pallets.

AVAILABILITY

Product is available for immediate shipment from our Minneapolis, Mn. location.

Please do not hesitate to contact me should you have further questions regarding the above information.

Sincerely,

[Signature]

Frank Gustafson

FG/dh

[OMI's Revised Memorandum of Points and Authorities in Support of Renewed Motion for Judgment as a Mater of Law, filed in the District court, at 3]

I. INVALIDITY WAS NOT PROVED WITH CLEAR AND CONVINCING EVIDENCE

The Court must decide, as a matter of law, whether the claims in issue are invalid, notwithstanding the jury's verdict. *Graham v. John Deere*, 383 U.S. 1 (1966). The scope of a claim is a question of law. *George v. Honda Motor Co., Ltd.*, 802 F.2d 432 (Fed. Cir. 1986). The relevant statutes are 35 U.S.C. §§ 102, 103.

The United States Patent and Trademark office granted and issued the '725 and '718 patents over the prior art advanced by Manildra. In essence, the jury in this case overruled the Patent Office but based its verdict on the very same materials the Patent Office used to verify that the inventions were neither obvious nor anticipated.

[Reply Brief for Defendant/Appellant Ogilvie Mills, Inc., filed in the Federal Circuit, at 13]

d. The Fontein and NCR Patents.

The Fontein and NCR patents were disclosed to the Patent and Trademark Office, as was Yamazaki's work. Therefore, Manildra's burden of showing that they render the subject claims obvious is "especially difficult." *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464 (Fed. Cir. 1990).

[Petition for Rehearing and Suggestion for Rehearing In Banc of Defendant/Appellant Ogilvie Mills, Inc., filed in the Federal Circuit, at 2-3]

The PTO reviewed and issued the Patents over the three prior art references asserted by Manildra – Yamazaki's work, the Fontein patent, and the NCR patent. P1053/5-7,113-7. The accused infringer's burden of demonstrating with clear and convincing evidence that the PTO was wrong is "especially difficult" when the PTO has reviewed the prior art he relies on. *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1467, 15 USPQ 2d 1525, 1527 (Fed. Cir. 1990); *American Hoist &*

Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1359, 220 U.S.P.Q. 763, 770 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 821 (1984) (attacker citing only prior art reviewed by PTO has the "added burden of overcoming the deference that is due to a qualified government agency"); *Hughes Aircraft Co. v. United States*, 717 F.2d 1351, 1359, 219 USPQ 473, 478 (Fed. Cir. 1983).

In fact, the challenger cannot discharge this burden even with additional prior art or insights not considered by the PTO, unless the additional information is "*more pertinent*" than that considered during prosecution. *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1553, 220 USPQ 303, 313 (Fed. Cir. 1983) (emphasis in original) (courts should resist "the insidious attraction of the siren hindsight" when reviewing close questions of prior art), *cert. denied*, 469 U.S. 851 (1984); *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 894, 221 USPQ 669, 674 (Fed. Cir.), *cert. denied*, 469 U.S. 857 (1984). The only additional item cited by Manildra and the Opinion but not seen by the patent examiners is a second article by Dr. Yamazaki, which provides, as Manildra acknowledged, the same essential information about the same air-classification experiment discussed in the Yamazaki article the PTO reviewed. F6707*. Moreover, even were the second article considered substantially different from the first, it relates only to '725 Patent claims 24-27.

[Brenner Tr. 14650]

527. Thank you

MR. WEST: Ready?

MR. GREGORY: Yes.

Q. Okay. At Page 527, Mr. Johnson was talking about the – the production tests at Manildra, and beginning at Line 11, the question, "So you produced a computer printout for every one of those things, every pallet you tested?" Answer: Thousands of them." "Question: Thousand of them. And do you maintain those?" "Answer: Yes." "Question: Do you use a blender or an ultrasonic device to treat the starch particles before you put them in the particle size analyzer?" "Answer: No."

Now, were you aware of the testimony, Mr. Brenner?

MR. GREGORY: Objection, Your Honor, this is impeachment of their own evidence that they have put before this jury and it's – we object.

THE COURT: Objection sustained. Disregard that last question and that statement.

MR. WEST: May we approach, Your Honor?